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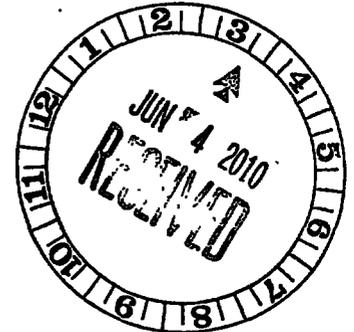
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June 4, 2010

BY HAND-DELIVERY

The Honorable Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E Street, SW, Room #100
Washington, DC 20423-0001

Re: Docket No. 42104, *Entergy Arkansas, Inc. and Entergy Services, Inc. v. Union Pacific R.R., Missouri & Northern Arkansas R.R. Co. Inc., and BNSF Railway Company*; Finance Docket 32187, *Missouri & Northern Arkansas Railroad – Lease, Acquisition and Operation Exemption – Missouri Pacific R.R. and Burlington Northern R.R.*



Dear Ms. Brown:

Enclosed for filing in the above-captioned proceedings are the original and ten (10) copies of BNSF Railway Company's Reply Argument to the Opening Evidence and Argument filed by Complainants Entergy Arkansas, Inc. and Entergy Services, Inc.

Also enclosed is a CD with the text of the pleading in Word format.

I would appreciate it if you would date-stamp the enclosed extra copy and return it to the messenger for our files.

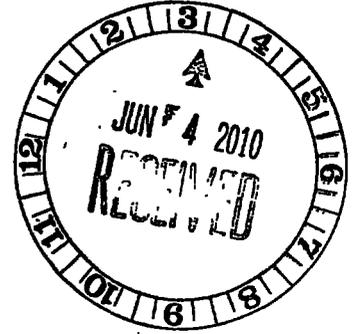
Please contact me if you have any questions. Thank you.

Sincerely yours,

Adrian L. Steel, Jr.
Adrian L. Steel, Jr.

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD



ENTERGY ARKANSAS, INC. and
ENTERGY SERVICES, INC., Complainants,

v.

UNION PACIFIC RAILROAD COMPANY
MISSOURI & NORTHERN ARKANSAS
RAILROAD COMPANY, INC., and BNSF
RAILWAY COMPANY, Defendants.

MISSOURI & NORTHERN ARKANSAS R.R. –
LEASE, ACQUISITION AND OPERATION
EXEMPTION – MISSOURI PACIFIC R.R.
and BURLINGTON NORTHERN R.R.

227220

Docket No. 42104

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Finance Docket No. 32187

BNSF RAILWAY COMPANY'S REPLY ARGUMENT

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Attorneys for BNSF Railway Company

June 4, 2010

Missouri & Northern Arkansas Railroad Company (“MNA”) at Lamar, Missouri.² Entergy Opening Evidence and Argument at 3. Entergy states that the traffic involved would be 135-car loaded unit trains of coal powered by three 6-axle locomotives (distributed power). Verified Statement of Harvey A. Crouch (“Crouch V.S.”) at 6. Currently, no loaded coal trains move via this route.³

BNSF does not believe that a Board order directed to BNSF prescribing a through route is necessary. By letter to Entergy dated March 4, 2010, BNSF has already agreed to cooperate with MNA to develop a commercially reasonable BNSF-MNA through route from southern Powder River Basin origins without the necessity for such an STB order. Verified Statement of Ryan Trushenski (“Trushenski V.S.”) at 7, Exh. RT-9. (A copy of Exh. RT-9 is attached hereto.) However, the through route that Entergy seeks through Lamar will likely require significant capital upgrades by BNSF and/or MNA to handle regular movements of loaded unit train coal traffic. At the least, as Entergy acknowledges, a new connecting track will have to be built between BNSF and MNA at Lamar. Crouch V.S. at 17-19. BNSF cannot reasonably be expected to participate in paying to upgrade trackage for Entergy’s benefit without an assurance that Entergy will cover BNSF’s costs. Nor can BNSF offer a rate for its portion of a through movement without knowing how those costs would be recovered. Accordingly, in its March 4

² Although Entergy suggests that BNSF and MNA could also interchange at Aurora, Missouri, Entergy prefers the Lamar interchange. Entergy Opening Evidence and Argument at 23 n.14.

³ Entergy also seeks confirmation that, if it desires to move coal from northern PRB origins to Independence Station, BNSF and MNA are obligated to provide a through route for the movement of such coal. Entergy Opening Evidence and Argument at 5-6. Currently, no coal trains move from northern PRB origins to Independence Station. AECC does not draw any distinction between northern and southern PRB origins and apparently seeks prescription of a through BNSF-Lamar-MNA route from all PRB origins.

letter, BNSF asked what kind of commercial arrangement Entergy proposed to recover any investments that BNSF would be required to make. Exh. RT-9.

BNSF also observed in its letter that it could not offer a rate for its portion of a through movement with MNA without more information about the prospective interchange facilities and operations at Lamar and about how the movement would be handled on MNA's portion of the movement. That information, which is necessary for BNSF to review the anticipated interchange operations and determine what costs will be created by the operating plan for the anticipated movements, was detailed in BNSF's March 4 letter. Exh. RT-9.

BNSF received no response to its letter. Instead, Entergy moved to file a second amended complaint adding BNSF as a defendant in the case, which the Board granted in a decision served April 19, 2010.

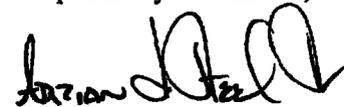
BNSF continues to stand ready to work with MNA and Entergy to develop a through route via Lamar on commercially reasonable terms. To date, BNSF has not been provided the information it needs to offer such terms. If Entergy is genuinely interested in a route through Lamar, it should work with BNSF and MNA to provide the necessary information, rather than seeking the involuntary prescription of a through route.⁴

Finally, Entergy's request for "confirmation" that BNSF and MNA must provide a route through Lamar if and when Entergy seeks to move coal from northern Powder River Basin origins is both unnecessary and premature. BNSF agrees that, if Entergy seeks to move coal from northern Powder River Basin origins to Independence Station, the railroads must provide a commercially reasonable route for such movements. There is no need for the STB now to

⁴ Entergy has neither claimed nor demonstrated under 49 U.S.C. § 10705 and the Board's competitive access rules that BNSF has exploited market power by providing inadequate service or foreclosing more efficient service over another carrier's line. *See Entergy Arkansas, Inc. v. Union Pac. R.R.*, STB Docket No. 42104 (served June 26, 2009), slip op. at 7.

“confirm” a route, because there is no reason to believe that BNSF could not agree on a route with MNA, with MNA and Union Pacific, or with Union Pacific—depending on which railroad is serving Independence Station at the time and which route is most advantageous.

Respectfully submitted,



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June 4, 2010

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing BNSF Railway Company's Reply Argument
have been served by on the following:

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March 4, 2010

Mr. Ryan Trushenski
Project Manager Solid Fuel Operations
Entergy Services, Inc.
10055 Grogans Mill Road
The Woodlands, Texas 77380

Re: Independence Steam Electric Station

Dear Ryan:

I am writing in response to your February 11, 2010 letter requesting (i) that BNSF confirm that it would be willing to cooperate with M&NA on a through route for movement of SPRB coals to Entergy's Independence Station using Lamar, Missouri and/or Aurora, Missouri as the locations for a BNSF/M&NA interchange; and (ii) that BNSF provide Entergy with its revenue requirements for unit train coal transportation service from SPRB as well as NBPR origins to each of the two stated interchange locations.

BNSF remains willing to cooperate with M&NA on the development of a through route movement as described in your letter without the necessity of an STB order specifically directed to BNSF. However, the preliminary matters identified below need to be addressed before BNSF would be able to provide Entergy with revenue requirements for the BNSF portion of such a move.

In my November 5, 2009 letter, I highlighted the fact that potentially substantial infrastructure upgrades would be required to bring any of the five proposed interchange locations, including Lamar and Aurora, up to a level to support unit train coal service. As previously explained, BNSF would not be willing to undertake the capital investments required for BNSF to provide interline service with M&NA via Lamar or Aurora unless a commercial arrangement was put in place that assured our recovery of those investments. Your letter gives no indication of how Entergy proposes that BNSF would recover those investments, and in the absence of such an arrangement, we remain unable to proceed in developing the revenue requirement you have requested.

In addition, in order to provide a revenue requirement for the BNSF portion of the contemplated joint movement, we need certain information regarding the manner in which M&NA would interchange unit train coal traffic with BNSF. We understand that Entergy has completed its inspection and analysis of the M&NA lines and prospective interchange facilities and has information concerning the location and manner of the proposed interchange operations that we would appreciate receiving. Specifically, we would need to understand the following key operational parameters to determine our revenue requirement: (i) the anticipated physical interchange location (i.e., whether physical interchange would occur on BNSF or MN&A track); (ii) any operation limitations present on the contemplated routes (i.e., the number of railcars per unit train that can be accommodated by the MN&A in interchange or limitations on the MN&A frequency or schedule of service); and (iii) locomotive power

March 4, 2010
Mr. Ryan Trushenski

Page Two

arrangements that would be required (i.e., whether run-through power would be provided or MN&A would provide their own locomotives, MN&A's requirements in terms of horsepower and configuration, and whether MN&A would anticipate performing the required inspections and/or fueling). As you can imagine, such information is needed to enable BNSF to evaluate train cycles and other service parameters in determining BNSF's revenue requirement, and we will be unable to respond to your request for revenue requirements absent such information.

Entergy has also likely gathered information concerning the extent and costs of upgrades and improvements that would be required on the M&NA lines to accommodate unit train coal traffic, and that information would be useful for BNSF to review in the context of further understanding the anticipated interchange operations and might also assist us in gauging the extent of the capital expenditures required on the BNSF lines for our portion of the contemplated joint movement. Review of these details, as well as the operating parameters anticipated by the MN&A for the Lamar or Aurora interchanges, might also result in a preference for BNSF regarding the potential interchange points.

Finally, in October of 2009 you requested a contract proposal from BNSF to transport to Entergy's White Bluff Station the very same limited tons described in your October 22, 2009 request and again covered by your February 11, 2010 request for transportation to the Independence Station. BNSF has previously served the White Bluff Station directly in coal unit train service, and we provided you with the requested contract proposal to cover all the tons here at issue through 2014. We reiterate our view that such a joint route to the Independence Station would be significantly more costly given the need for capital upgrades and interchange operations and likely less efficient than single-line BNSF unit train coal service to the White Bluff Station. To date, we've not received a response to our contract proposal. Given the clear advantages of a BNSF-direct movement to White Bluff over a joint movement to the Independence Plant, we believe it would be mutually beneficial to pursue transportation of the tons covered by this letter to the White Bluff Station and would appreciate your feedback regarding our initial proposal.

Sincerely,



Sami Shalah

cc: Tom Epich